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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
Item 50 ID# 4183
ENERGY DIVISION RESOLUTION E-3908
January 13, 2005

R E S O L U T I O N

Resolution E-3908. San Diego Gas & Electric Company (SDG&E) submits revisions to electric transmission and reliability services rates.

By SDG&E Advice Letter 1636-E filed on November 5, 2004.

SUMMARY

This Resolution approves with modifications the rate changes proposed by SDG&E pursuant to the Federal Regulatory Energy Commission's (FERC) approval of these rates. The rate changes relate to electric transmission reliability services (RS), Transmission Access Charge Balancing Account Adjustment (TACBAA), and Transmission Revenue Balancing Account Adjustment (TRBAA) rates.

The California Public Utilities Commission (CPUC or Commission) finds that the Advice Letter filing is in accordance with SDG&E's FERC filing for revisions to its electric RS, TACBAA, and TRBAA transmission rates. The Commission finds that the RS, TACBAA, and TRBAA revenue requirements and associated rates are just and reasonable, and fully recoverable from SDG&E's applicable customers.

SDG&E Advice Letter 1636-E was not protested.

This resolution approves the advice letter with modifications.

BACKGROUND

On December 17, 2004, SDG&E updated the electric transmission and reliability services rates in its Transmission Owner's Tariff filed with the FERC, to be effective January 1, 2005.

The RS, TRBAA, and TACBAA rates are routinely updated with the FERC, and filed concurrently with the CPUC in late December of each year, subject to refund, to be effective on January 1 of the following year. To ensure that the CPUC gets sufficient time to review issues related to these rate changes and approve these rate changes as soon as possible following FERC effective date of these rates, SDG&E agreed to file AL 1636-E with the CPUC using estimated rates by November 5, 2004.

On December 27, 2004, the Energy Division was informed that the final RS cost of service requirement is \$200.434 million, which is only slightly higher than the estimated cost of service requirement of \$200.413 million filed with the CPUC on November 5, 2004 by AL 1636-E. The difference is due to the actual balance in the RS balancing account being slightly higher than estimated.

SDG&E will supplement its Advice Letter 1636-E in the event that the final FERC-approved RS, TACBAA, or TRBAA rates are different from the estimated rates SDG&E filed in this advice letter.

NOTICE

Notice of SDG&E AL 1636-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

SDG&E Advice Letter 1636-E was not protested.

DISCUSSION

Energy Division has reviewed SDG&E AL 1636-E. Discussion of the relevant facts that lead to the approval of this advice letter with modifications is below.

SDG&E's annual RS cost of service requirement has increased by \$43.7 million to approximately \$200.4 million.

The 2005 RS cost of service requirement is forecasted to increase by \$43.7 million over the current cost of service of \$158.7 million in effect in 2004, for a 27.5% increase. The 2005 RS cost of service requirement includes the following: a forecast of RS payments SDG&E will make to the California Independent System Operator (ISO) for the 2005 calendar year, a forecast of the balance in the RS balancing account as of November 30, 2004, and applicable city franchise fees and uncollected expenses.

The balancing accounts for 2005 are being revised to reflect a \$6.8 million decrease in the TRBAA cost of service and a \$1.8 million increase in the TACBAA cost of service.

The 2005 TRBAA is being revised to reflect a 2005 forecast of a \$6.8 million decrease in the TRBAA cost of service. SDG&E had originally forecast that the TRBAA cost of service would be a \$38.5 million credit. It now assumes the cost of service would be \$6.8 million higher, resulting in a TRBAA cost of service credit of \$31.5 million, which reduces the credit amount SDG&E needs to refund to customers. The 2005 TACBAA is also updated to reflect a 2005 forecast of a \$1.8 million increase in expected ISO costs and credits.

Consistent with Decision (D.) 04-02-057, total residential rates for usage up to 130% of baseline remain unchanged.

Consistent with D.04-02-057, SDG&E made a change to its commodity rates shown on Schedule EECC, "Electric Energy Commodity Cost," so that the total residential rates for usage up to 130% of baseline remain unchanged. The commodity shortfall resulting from this rate adjustment will be recorded in the AB 1X shortfall sub-account of the Energy Resource Recovery Account (ERRA) for future recovery.

System average customer class rate increase is approximately 1.15%.

The combined impact to class average customer rates, from the RS, TACBAA, and TRBAA rate increases, is as follows:

Class	Current Total Rate Effective 9/1/04 ¢/KwHr	Proposed Total Rate Effective 10/1/04 ¢/KwHr	Total Rate Change ¢/KwHr	Total Rate Change %
Residential	14.953	15.024	0.071	0.48%
Small Commercial	17.424	17.685	0.261	1.50%
Med & Lrg Commercial	11.813	12.029	0.216	1.83%
Agriculture	15.589	15.850	0.261	1.67%
Lighting	18.254	17.691	-0.562	-3.08%
System TOTAL	13.761	13.919	0.158	1.15%

The revised RS, TRBAA, and TACBAA cost of service requirements requested in AL 1636-E and the rates underlying those revenue requirements are just and reasonable.

SDG&E has shown that its costs for RS have increased, and we approve the revenue requirement increase required to recover these costs. The method that SDG&E proposes to allocate those costs and the revised TRBAA and TACBAA cost of service requirements to customer classes are reasonable. Energy Division recommends that these rates be adopted.

Filed rate doctrine provides for a pass through of FERC-approved rates.

Under the filed rate doctrine applicable to these federally-approved rates, the CPUC is obligated to pass through this FERC-authorized revenue requirement to SDG&E's applicable customers. The passing through of this revenue requirement to SDG&E's applicable customers does not involve the promulgation of "general rates," or the establishment of a new general rate structure. Rather, the rates involved here pass through an adjustment to an existing category of costs. Accordingly, we conclude that we should authorize SDG&E to recover this revenue requirement, which is permitted by both state and federal law.

SDG&E was informed that the proposed revised rates cannot go into effect without express approval by the Commission.

In a letter from the Director of the CPUC Energy Division to SDG&E on December 30, 2004, SDG&E was informed that because implementation of the rates filed in Advice Letter 1636-E would result in a rate increase, pursuant to Public Utilities Code Section 454, these rates cannot be put into effect without further action by the Commission. SDG&E was advised it should not make the revised rates effective until it receives Commission approval.

Energy Division staff recommends that SDG&E be made whole for the entire revenue requirement authorized by FERC and reflected in AL 1636-E, even though the new rates will not become effective on January 1, 2005.

SDG&E shall submit a proposal to recover revenues authorized by FERC that it did not collect from January 1, 2005 until the CPUC-authorized effective date, which is February 1, 2005 per this resolution.

The FERC-authorized revenue requirement addressed by AL 1636-E is just and reasonable. To ensure that SDG&E recovers its FERC-authorized revenue requirements for FERC jurisdictional activities, SDG&E shall submit an advice letter within 30 days of today's date to propose a method to recover the revenues it was not able to collect beginning January 1, 2005. This advice letter shall show the total amount of revenue in dollars that SDG&E was not able to collect from customers from January 1, 2005 until the date the rates we authorize in this resolution take effect.

COMMENTS

Public Utilities Code section 311(g) (1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.

The 30-day comment period for this Resolution has been reduced in accordance with the provisions of Rule 77.7(f) (9). Rule 77.7(f) (9) provides that the Commission may waive or reduce the comment period for a decision when the

Commission determines that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of Rule 77.7(f) (9), “public necessity” refers to circumstances in which the public interest in the Commission’s adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment, and includes circumstances where failure to adopt a decision before expiration of the 30-day review and comment period would cause significant harm to public health or welfare. The public necessity in this case is that these FERC-approved rates for SDG&E need to be made effective as soon as possible after the FERC effective date, which is January 1, 2005.

The Commission must address SDG&E AL 1636-E as quickly as possible.

Thus, pursuant to Rule 77.7(f) (9), we provide for a shortened comment period.

On January 3, 2005, SDG&E commented that the final TACBAA cost of service filed with the FERC on December 28, 2004 reflects a \$1.8 million increase, rather than \$1.9 million originally forecast. The difference is caused by the other participating transmission owners’ existing and new high voltage revenue requirements being slightly lower than estimated. Also, the RS and balancing account requirements, as provided in the AL, are more accurately the “cost of service” requirements. This Resolution is revised accordingly.

FINDINGS

1. SDG&E filed Advice Letter 1636-E on November 5, 2004 to revise its electric transmission and reliability services rates effective January 1, 2005. No party protested SDG&E’s advice letter.
2. SDG&E filed revisions to its electric transmission and reliability services rates with the FERC on December 17, 2004 for rates, subject to refund, effective January 1, 2005.
3. On December 27, 2004, SDG&E notified the Energy Division that the final RS cost of service requirement is \$200.434 million, which is only slightly higher than the estimated cost of service requirement of \$200.413 million filed with the CPUC on November 5, 2004 by AL 1636-E.
4. SDG&E will supplement its Advice Letter 1636-E with the CPUC in the event that the final FERC-approved RS, TACBAA, or TRBAA rates are different from the estimated rates SDG&E filed in this advice letter.

5. The RS, TRBAA, and TACBAA rates are routinely updated with FERC, and filed concurrently with the CPUC in late December of each year, subject to refund, to be effective on January 1 of the following year.
6. The 2005 RS cost of service requirement is forecasted to increase by \$43.7 million over the current rates in effect in 2004 to \$200.4 million.
7. The 2005 TRBAA is being revised to reflect a 2005 forecast of a \$6.8 million credit decrease in the TRBAA cost of service, resulting from a decrease in transmission credits.
8. The 2005 TACBAA is updated to reflect a 2005 forecast of a \$1.8 million increase in expected ISO costs and credits.
9. The system total class average rate increase is 1.15%.
10. The CPUC is obligated to pass through FERC-authorized revenue requirements to SDG&E's applicable customers.
11. Consistent with Commission Decision 04-02-057, SDG&E made a change to its commodity rates so that the total residential rates for usage up to 130% of baseline remain unchanged.
12. The commodity shortfall resulting from this rate adjustment will be recorded in the AB 1X shortfall sub-account of the ERRA for future recovery.
13. The Commission finds these revenue requirements and the attendant rates are just and reasonable, and fully recoverable from SDG&E's applicable customers.
14. In the event FERC authorizes a different rate than requested, SDG&E will file an advice letter to immediately adjust its rates on a prospective basis.
15. If a refund is in order, SDG&E will file an advice letter with the CPUC to return over-collected revenues in accordance with an order issued by the FERC, as specified in the year-end consolidated filing.
16. The letter from the CPUC Director of Energy Division dated December 30, 2004, informed SDG&E that the proposed revised transmission rates should not be effective until SDG&E receives Commission approval.
17. Within 30 days from today's date, SDG&E should file an advice letter proposing a method to recover the FERC-authorized revenue not collected from January 1, 2005 until the date the rates we authorize in this resolution take effect.
18. In this case, public necessity warrants providing for a comment period of less than 30 days.

THEREFORE IT IS ORDERED THAT:

1. The request of SDG&E in its Advice Letter 1636-E to revise electric transmission and reliability services rates, pursuant to FERC approval of these rates, is approved with modifications.
2. The rates filed in AL 1636-E shall be effective February 1, 2005.
3. SDG&E shall supplement its Advice Letter 1636-E in the event that the final FERC-approved RS, TACBAA, or TRBAA rates are different from the estimated rates SDG&E filed in this advice letter.
4. To the extent that FERC has authorized these rates subject to refund, SDG&E, shall, as soon as possible, after the FERC determines final rates, file any revised rates to reflect FERC-approved final rates.
5. No later than 30 days from today, SDG&E shall file an advice letter to propose a method to recover the FERC-authorized revenue requirement that SDG&E has not collected from January 1, 2005 until February 1, 2005. The advice letter shall show the total FERC-authorized revenue in dollars that SDG&E did not collect from January 1, 2005 until February 1, 2005. This revenue is deemed just and reasonable. The advice letter shall become effective on the date filed subject to Energy Division's determining it is in compliance with this Order.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 13, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director